



May 5, 2015

Sean Harding
Anthem College
2450 Piedmont Road Northeast
Atlanta, GA 30324-3398

UPS Next Day Tracking#
1ZA87964NY96265248

RE: **Final Program Review Determination**
OPE ID: 022631-08
PRCN: 2013 3 04 28337

Dear President Harding:

The U.S. Department of Education's (Department's) Atlanta School Participation Division issued a program review report on August 7, 2013 covering Anthem College's administration of programs authorized by Title IV of the Higher Education Act of 1965, as amended, 20 U.S.C. §§ 1070 et seq. (Title IV, HEA programs), for the 2011-2012 and 2012-2013 award years. Anthem College's final response was received on April 14, 2014. A copy of the program review report (and related attachments) and Anthem College's response are attached. Any supporting documentation submitted with the response is being retained by the Department and is available for inspection by Anthem College upon request. Additionally, this Final Program Review Determination (FPRD), related attachments, and any supporting documentation may be subject to release under the Freedom of Information Act (FOIA) and can be provided to other oversight entities after this FPRD is issued.

Purpose:

Final determinations have been made concerning all of the outstanding findings of the program review report. The purpose of this letter is to: (1) identify liabilities resulting from the findings of this program review report, (2) provide instructions for payment of liabilities to the Department, (3) notify the institution of its right to appeal, and (4) close the review.

The Department is aware that Anthem College has filed for bankruptcy. Therefore, this letter is **not** a demand for payment by the Department. This letter sets forth the liabilities calculated by the Department from the records of the Department and Anthem College and explains the administrative appeal rights for those findings that are available under applicable provisions of the Higher Education Act. The Department will seek recovery of this liability **only** in accordance with applicable bankruptcy law. The total liabilities due from the institution from this program

review are \$320,023. This final program review determination contains detailed information about the liability determination for all findings.

Protection of Personally Identifiable Information (PII):

PII is any information about an individual which can be used to distinguish or trace an individual's identity (some examples are name, social security number, date and place of birth). The loss of PII can result in substantial harm, embarrassment, and inconvenience to individuals and may lead to identity theft or other fraudulent use of the information. To protect PII, the findings in the attached report **does** not contain any student PII. Instead, **each** finding references students only by a student number created by Federal Student Aid. The student numbers were assigned in Appendix A, Student Sample. In addition, Appendix D also contains PII. **These** appendices are encrypted and will be sent separately to the institution via e-mail upon request.

Appeal Procedures:

This constitutes the Department's FPRD with respect to the liabilities identified from the August 7, 2013 program review report. If Anthem College wishes to appeal to the Secretary for a review of financial liabilities established by the FPRD, the institution must file a written request for an administrative hearing. Please note that institutions may appeal financial liabilities only. The Department must receive the request no later than 45 days from the date Anthem College receives this FPRD. An original and four copies of the information Anthem College submits must be attached to the request. The request for an appeal must be sent to:

Director
Administrative Actions and Appeals Service Group
U.S. Department of Education
Federal Student Aid/PC
830 First Street, NE - UCP3, Room 84F2
Washington, DC 20002-8019

Anthem College's appeal request must:

- (1) indicate the findings, issues and facts being disputed;
- (2) state the institution's position, together with pertinent facts and reasons supporting its position;
- (3) include all documentation it believes the Department should consider in support of the appeal. An institution may provide detailed liability information from a complete file review to appeal a projected liability amount. Any documents relative to the appeal that include PII data must be redacted except the student's name and last four digits of his / her social security number (please see the attached document, "Protection of Personally Identifiable Information," for instructions on how to mail "hard copy" records containing PII); and
- (4) include a copy of the FPRD. The program review control number (PRCN) must also accompany the request for review.

If the appeal request is complete and timely, the Department will schedule an administrative hearing in accordance with § 487(b)(2) of the HEA, 20 U.S.C. § 1094(b)(2). The procedures followed with respect to Anthem College's appeal will be those provided in 34 C.F.R. Part 668, Subpart II. **Interest on the appealed liabilities shall continue to accrue at the applicable value of funds rate, as established by the United States Department of Treasury, or if the liabilities are for refunds, at the interest rate set forth in the loan promissory note(s).**

Record Retention:

Program records relating to the period covered by the program review must be retained until the later of: resolution of the loans, claims or expenditures questioned in the program review; or the end of the retention period otherwise applicable to the record under 34 C.F.R. §§ 668.24(e)(1), (e)(2), and (e)(3).

If the institution has any questions regarding this letter, please contact Toyoko Woodard at (404) 974-9448 or toyoko.woodard@ed.gov. Questions relating to any appeal of the FPRD should be directed to the address noted in the Appeal Procedures section of this letter.

Sincerely,

(b)(6)

Christopher Miller
Division Director

Enclosure:

Protection of Personally Identifiable Information
Program Review Report (and appendices)
Final Program Review Determination Report (and appendices)

cc: Accrediting Council for Independent Colleges and Schools
GA Non-Public Postsecondary Education Commission

Prepared for:

Anthem College

Federal Student Aid
An OFFICE of the U.S. DEPARTMENT of EDUCATION

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OPE ID: 022631-08

PRCN: 2013 3 04 28337

**Prepared by: Toyoko Woodard
U.S. Department of Education
Federal Student Aid
Atlanta School Participation Division**

Final Program Review Determination

May 5, 2015

U.S. Department of Education
Federal Student Aid
Atlanta School Participation Division
61 Forsyth Street, SW Suite 18T40 Atlanta, GA 30303
StudentAid.gov

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A. Institutional Information

Anthem College
2450 Piedmont Road Northeast
Atlanta, GA 30324-3398

Type: Proprietary

Highest Level of Offering (Atlanta Location): Associate's Degree

Accrediting Agency: Accrediting Council for Independent Colleges and Schools

Current Student Enrollment: 4363 (2012-2013)

% of Students Receiving Title IV: 93% (2012-2013)

Current Student Enrollment (Atlanta Location): 385 (2012-2013)

% of Students Receiving Title IV (Atlanta Location): 95% (2012-2013)

Title IV Participation Postsecondary Education Participants System (PEPS):

<u>Title IV Programs</u>	<u>2012-2013</u>
Federal Pell Grant (PELL)	\$ 14,478,117
Federal Supplemental Educational Opportunity Grant (SEOG)	\$ 682,527
Federal Work Study (FWS)	\$ 304,487
Federal Direct Loan (DL)	\$ 35,263,191

Default Rate FFEL/DL:	2011 – 8.8%
	2010 – 6.4%
	2009 – 4.6%

B. Scope of Review

The U.S. Department of Education (the Department) conducted a program review at Anthem College from May 20, 2013 to May 23, 2013. The review was conducted by Toyoko Woodard, Meghan Gladden and David Smittick.

The focus of the review was to determine Anthem College's compliance with the statutes and federal regulations as they pertain to the institution's administration of Title IV programs. The review consisted of, but was not limited to, an examination of Anthem College's policies and procedures regarding institutional and student eligibility, individual student financial aid and academic files, attendance records, student account ledgers, and fiscal records.

A sample of 30 files was identified for review from the 2011-2012 and 2012-2013 (year to date) award years. The files were selected randomly from a statistical sample of the total population receiving Title IV, HEA program funds for each award year. Appendix A lists the names and partial social security numbers of the students whose files were examined during the program review.

Disclaimer:

Although the review was thorough, it cannot be assumed to be all-inclusive. The absence of statements in the report concerning Anthem College's specific practices and procedures must not be construed as acceptance, approval, or endorsement of those specific practices and procedures. Furthermore, it does not relieve Anthem College of its obligation to comply with all of the statutory or regulatory provisions governing the Title IV, HEA programs.

C. Findings and Final Determinations

During the review, several areas of noncompliance were noted. Findings of noncompliance are referenced to the applicable statutes and regulations and specify the actions to be taken by Anthem College to bring operations of the financial aid programs into compliance with the statutes and regulations.

Resolved Findings

Findings 1-8 and 10-20

Anthem College has taken the corrective actions necessary to resolve findings 1-8, and 10-20 of the program review report. Therefore, these findings may be considered closed. Findings requiring further action by Anthem College are discussed below.

Findings with Final Determinations

The program review report findings requiring further action are summarized below. At the conclusion of each finding is a summary of Anthem College's response to the finding, and the Department's final determination for that finding. A copy of the program review report issued on August 7, 2013 is attached as Appendix B.

Finding 9: Verification Violation

Citation Summary:

34 C.F.R. § 668.54 states, an institution shall require each applicant whose application is selected for verification on the basis of edits specified by the Secretary to verify all of the applicable items specified in 34 C.F.R. § 668.56.

The purpose of verification is to ensure that Title IV funds are awarded to student applicants in the correct amount. Students are selected for verification on the basis of application edits specified by the Secretary. An institution must establish procedures to request, receive and verify applicant data for each award year. Institutions are also responsible for resolving conflicting information related to a student's application for Title IV aid. There are five required data elements that must be verified. These five items are:

- *Household size (HHS)*
- *Number enrolled in college;*
- *Adjusted Gross Income (AGI);*
- *U.S. income tax paid; and,*
- *Other untaxed income and benefits*

34 C.F.R. § 668.54 of the General Provisions regulation states that an institution must verify all applications CPS selects for verification.

In general, your school must have correct data before it can pay the student. If your school has conflicting information concerning a student's eligibility or you have any reason to believe a student's application information is incorrect, you must resolve the discrepancies before disbursing Title IV funds. If you discover discrepancies after disbursing Title IV funds, you must

still reconcile the conflicting information and take appropriate action under the specific program requirements.

*Furthermore the Federal Student Aid Handbook 2011-2012 Ch. 2 -Filling Out the FAFSA states, a stepparent is treated like a biological parent if the stepparent has legally adopted the student or if the stepparent is married, as of the date of application, to a student's biological or adoptive parent whose information will be reported on the FAFSA. **There are no exceptions.** A prenuptial agreement does not exempt the stepparent from providing information required of a parent on the FAFSA. The stepparent's income information for the entire base year, 2010, must be reported even if the parent and stepparent were not married until after 2010. See above for how to fill out the parent questions when the stepparent's spouse (the biological parent) dies; if the stepparent has not adopted the student, he would no longer provide parental information as before, but any financial support he gives to the student would be counted as untaxed income.*

Noncompliance Summary:

Anthem College did not accurately complete verification for Student #4. This student was selected for verification; however, there are no supporting verification documents provided in the student's financial aid file to indicate the stepparent listed has legally adopted the student whereas the stepparent indicated on the FAFSA that they are divorced at the time of completion.

A stepparent who did not adopt the student cannot be the sole parent for determining dependency status. If the other parents are divorced, the student is still a dependent of the remaining biological parent, not the stepparent. The biological parent(s) are required to complete the FAFSA and submit the required verification documents. Therefore, verification is not considered to be complete.

Required Action:

Anthem College was required to provide copies of the missing verification documentation to support Student #4's eligibility for the Title IV funds that were disbursed. In addition, the institution was required to explain corrective actions the institution would take to complete verification and resolve applicant discrepancies in the future in its response to the report.

Anthem College's Response:

Anthem College's initial response indicated that they disagreed with this finding based on the stepmother still being married to the father at the time the FAFSA was completed. Anthem College received notification from the Department that their response was unacceptable and inadequate because the regulations clearly state a step-parent's information can never be used on the FAFSA or for verification purposes by **itself** without the biological parent's information, (the **ONLY** exception is if the student is legally adopted). **If the parents are separated, then the biological parent's information must be used.**

Anthem College resubmitted their response where they determined for Student #4 that incorrect data elements were used in the verification process.

Final Determination:

Anthem College failed to provide the required verification documentation that included a biological parent's information to support Student #4's eligibility for the Title IV funds that were disbursed.

Anthem College disbursed a total of \$12,275 in ineligible Title IV funds for Student #4. As a result, Anthem College is liable for \$2,775 in Federal Pell Grant (FPELL) funds and \$47 in interest due to the Department for this finding. In addition, Anthem College disbursed \$9,500 in ineligible Federal Direct Loans. This is a liability owed to the Department.

The chart below illustrates the FPELL liabilities for this finding:

Pell ACG SMART or TEACH Closed Award Year			
Amount (Principal)	Amount (Interest)	Title IV Grant	Award Year
\$2,775	\$47	FPELL	2011-2012
Total Principal	Total Interest		
\$2,775	\$47		

The total amount of ineligible Federal Direct Loan funds (subsidized and unsubsidized) disbursed for this finding is \$9,500. The estimated actual loss to the Department that has resulted or will result from those ineligible loans is based on Anthem College's most recent cohort default rate available. As a result, the estimated actual loss that Anthem College is liable for the ineligible loans in this finding is \$406.65. A copy of the results of that calculation is included as Appendix E.

Please refer to Section D regarding the liability and repayment information.

Finding 21: Ineligible Program Failure to Update Eligibility Certification Approval Report (ECAR)

Citation Summary:

34 C.F.R. § 600.20 states, an institution must notify the Secretary of its intent to offer an additional educational program, or provide an application to expand its eligibility, in a format prescribed by the Secretary and provide all the information and documentation requested by the Secretary to make a determination of its eligibility and certification.

An institution that notifies the Secretary of its intent to offer an additional educational program under paragraph (c)(3) of this section must at a minimum—

- *Submit documentation that the program has been approved by its accrediting agency or is otherwise included in the institution's accreditation by its accrediting agency or comparable documentation if the institution is a public postsecondary vocational institution approved by a recognized State agency for the approval of public postsecondary vocational education in lieu of accreditation.*

34 C.F.R. § 600.20 (f)(5) further states, if an institution does not apply to the Secretary to obtain the Secretary's approval of a new location, program, increased level of program offering, or branch, and the location, program, or branch does not qualify as an eligible location, program, or branch of that institution under this part and 34 C.F.R. part 668, the institution is liable for all Title IV, HEA program funds it disburses to students enrolled at that location or branch or in that program.

34 C.F.R. § 668.8 states, an eligible program provided by a proprietary institution of higher education or postsecondary vocational institution provides training that prepares a student for gainful employment in a recognized occupation as provided under §668.6.

An institution must repay to the Secretary all HEA program funds received by the institution for an educational program, and all the Title IV, HEA program funds received by or on behalf of students who enrolled in that program if the institution—

- *Fails to obtain the Secretary's approval to offer an additional educational program that prepares students for gainful employment in a recognized occupation as provided under paragraph (c)(1) of this section; or*
- *Incorrectly determines that an educational program that is not subject to approval under paragraph (c)(1) of this section is an eligible program for Title IV, HEA program purposes.*

Noncompliance Summary:

Anthem College disbursed Title IV aid to students enrolled in the Health Information Management Diploma program. This program was not reported to the Department during the change of ownership recertification process and as a result this program does not meet the requirements for Title IV eligibility.

Before the institution may determine programs to be eligible and disburse funds to enrolled students, the institution must have received both the required state and accrediting agency approvals. Anthem College failed to provide supporting documentation to the Department in order to demonstrate proper approvals were obtained before disbursing Title IV funds for the Health Information Management Diploma Program.

Required Action Summary:

In response to this finding, Anthem College was required to provide this office with documentation from its accrediting and state agency to support the date of the approval for the Health Information Management Diploma Program. Anthem College was required to immediately update the Eligibility Certification Approval Report (ECAR) to include all programs offered and submit any required supporting documentation to the Department. Supporting documentation of completion was required to be included with the institution's response.

In addition, Anthem College was required to perform a file review of all students enrolled in the program during the time period in which it was not approved and submit a report with the following information:

1. Student's Name
2. Social Security Number
3. Ineligible Program in which Student was Enrolled
4. Dates of Enrollment in Ineligible Program
5. Title IV Disbursement(s) by Program, Date Disbursed and Award Year

The institution was required to summarize the total amount of ineligible Title IV funds disbursed that remain to be paid, by program and award year.

Anthem College was advised that if the institution's self-determination of eligibility for the educational programs discussed in this finding are found to be incorrect, the institution is liable for all FSA program funds received by or for students enrolled in those programs.

Anthem College's Response:

While onsite, Anthem College provided documentation, Appendix C:4, indicating that ACICS on June 8, 2010 had initially approved Anthem's Atlanta branch, which had been reported by Anthem to ACICS as providing, e.g., a 48 week Health Information Management certificate program of 834 contact hours and 36 semester credit hours. Anthem also provided a July 22, 2011 letter from ACICS whereby the accreditor accepted, as "a non-substantive modification," Anthem documentation reporting a 50 week Health Information Management *diploma* program of 876 contact hours and 38 semester credit hours. In addition, the institution provided a letter from ACICS, dated August 6, 2012, whereby the accreditor accepted documentation reporting a 50 week Health Information Technology diploma program of 876 contact hours and 38 semester credit hours, and acknowledged a "change in curriculum contact" for an unspecified program.

In its response to the Program Review Report (PRR), Appendix C:1, Anthem College indicates that it agrees that the Atlanta branch's Health Information Technology certificate program was not listed as such for the Department's consideration on the Electronic Application to Participate in the Title IV programs (EAPP) submitted in connection with the 11/29/2012 change of ownership. However, Anthem College claims that, prior to the change in ownership, this

program was approved on an ECAR dated May 13, 2010 under the name Medical Billing and Coding. It provides an ECAR with an effective date of March 25, 2010, listing as approved a vocational, non-degree 49 week Medical Billing & Coding program of 37 semester credit hours and 718 clock hours, with a CIP code of 51.0703 and initial approval date of May 13, 2010.

Final Determination:

Anthem College underwent a change of ownership resulting in a change of control on October 29, 2012. As a result, it was required to undergo recertification before it could continue to participate. HEA 498(i), 20 U.S.C. § 1099c(i); 34 C.F.R. § 600.31(a). The recertification proceedings did not result in the Department's approval going forward of the participation of the Atlanta branch's Health Information diploma program, either as a Medical Billing and Coding Program, a Health Information Management program, a Health Information Technology program, or otherwise. The only Medical Billing & Coding program listed on the ECAR effective December 17, 2012 (i.e., following the change of ownership) that matches the entry on the March 10, 2010 ECAR on which Anthem College relies – an entry for a 49 week program of 37 semester credit hours and 718 clock hours, with a CIP Code of 51.0703 and an initial approval date of May 13, 2010 – has an "N" [i.e., NO] entry with respect to "approved for certification." Likewise, that program is listed on the Program Participation Agreement dated November 19, 2013 that was issued following the change of ownership as having a "disapproval/end date" of November 28, 2012. Because this program was not approved by the Department when (or even after) the Department recertified Anthem College in connection with the change in ownership, it has been ineligible since the change in ownership occurred (October 29, 2012). 34 C.F.R. § 600.10(b).

Anthem College provided documentation that further substantiates Anthem College disbursed a total of \$796,762 in Title IV funds for an ineligible program.

Anthem College is liable for the following FPELL and FSEOG liabilities for this finding:

Pell ACG SMART or TEACH Closed Award Year			
Amount (Principal)	Amount (Interest)	Title IV Grant	Award Year
\$57,335	\$1,170	FPELL	2011-2012
\$146,509	\$1,419	FPELL	2012-2013
\$91,586	\$258	FPELL	2013-2014
\$4,500	\$25	FSEOG	2013-2014
\$750	\$13	FSEOG	2011-2012
Total Principal	Total Interest		
\$300,680	\$2,885		

The total amount of ineligible Federal Direct Loan funds (subsidized and unsubsidized) disbursed for this finding is \$496,082. The estimated actual loss to the Department that has resulted or will result from those ineligible loans is based on Anthem College's most recent cohort default rate available. As a result, the estimated actual loss that Anthem College is liable

for the ineligible loans in this finding is \$13,229.35. A copy of the results of that calculation is included as Appendix D.

Please refer to Section D regarding the liability and repayment information.

Finding 22: Fraudulent, Invalid and/or Lack of GED or High School Diploma

Citation Summary:

34 C.F.R. § 668.32, Student Assistance General Provisions advises a student is eligible to receive Title IV funds if the student is a regularly enrolled student or one who is accepted for enrollment in an eligible program at an eligible institution. Among other criteria, the student must have a high school diploma or its recognized equivalent or have a passing score on a specified, Department approved, independently administered test in accordance with subpart J of Section 668.32.

The Department recognizes several equivalents to a high school diploma:

- 1. A General Equivalency Diploma (GED);*
- 2. A certificate demonstrating that the student has passed a state-authorized examination that the state recognizes as the equivalent of a high school diploma;*
- 3. An academic transcript of a student who has successfully completed at least a two-year program that is acceptable for full credit toward a bachelor's degree; or*
- 4. For a student who enrolls before completing high school, a high school transcript indicating the student has excelled in high school. The student must no longer be enrolled in high school; must satisfy your school's written policy for admitting such students, and must be starting a program that leads at least to an associate's degree or its equivalent.*

The 2011-2012 Federal Student Aid Handbook, Volume 1, Page 1-10, further discusses high school equivalency requirements and specifically in the sidebar notation, Page 6, states the, "College Diploma Mill Definition" as being an entity that:

- 1. Charges someone a fee and requires him to complete little or no education or coursework to obtain a degree, diploma, or certificate that may be used to represent to the general public that he has completed a program of postsecondary education or training; and*
- 2. Lacks accreditation by an agency or association that is recognized as an accrediting body for institutions of higher education by the Secretary (pursuant to Part H, Subpart 2 of Title IV) or a federal agency, state government, or other organization that recognizes accrediting agencies or associations.*

Beginning with 2011–2012, if a college or the Department has reason to believe that the high school diploma is not valid or was not obtained from an entity that provides secondary school education, the college must evaluate the validity of the student's high school completion.

Noncompliance Summary:

The review of student files revealed that the diplomas for the following students may have been fraudulent and/or from ineligible high schools and do not meet the conditions for acceptance in their particular program of study at your institution:

<u>Student</u>	<u>Diploma in File</u>
1	(b)(6)
6	No Proof of Graduation (POG) on File

In addition, Anthem College self-reported that on January 2013 a former faculty member at Anthem College Atlanta location alerted the corporate office of compliance related concerns after her termination from employment. This former faculty member told the corporate office that the school had admitted students on the basis of false high school diplomas or other proof of graduation and had submitted false faculty credentials to its accrediting agency, ACICS.

Required Action Summary:

Due to the documented fraudulent activity and seriousness of nature, Anthem College was required to conduct a file review of all students enrolled from the 2009-2010 award year to currently enrolled students to determine if other students received high school diplomas from the schools listed above or any other schools deem to be an invalid high school as referenced above or if there is discrepant high school information.

The institution was required to provide a list of all students who were enrolled at the Anthem College Atlanta location and received Title IV funds. A report detailing the results of the institution's review was required in the following format:

- Student's Name
- Last Four Numbers of Social Security Number
- High School attended and date graduated per registration form
- High School attended and date graduated per documentation in the file
- Correct High School attended
- Program of Study
- Title IV Funds Disbursed by Title IV Program
- Total Funds Disbursed by Award Year
- Verification of Validity From the High School

Furthermore, the institution was required to develop and submit with its response, procedures which will ensure that, in the future, the admissions requirements will be consistently applied to all students.

Anthem College's Response:

Anthem College self-reported that on January 2013 a former faculty member at Anthem College Atlanta location alerted the corporate office of compliance related concerns after her termination from employment. This former faculty member told the corporate office that the school had admitted students on the basis of false high school diplomas or other proof of graduation and had submitted false faculty credentials to its accrediting agency, ACICS. A full file review was required by the Department where Anthem College provided supporting documentation with auditor attestation that all ineligible Title IV funds were returned.

Final Determination:

This finding is considered closed.

D. Bankruptcy Protection

The Department is aware that Anthem College has filed for bankruptcy. Therefore, this letter is **not** a demand for payment by the Department. This letter sets forth the liabilities calculated by the Department from the records of the Department and Anthem College and explains the administrative appeal rights for those findings that are available under applicable provisions of the Higher Education Act. The Department will seek recovery of this liability **only** in accordance with applicable bankruptcy law.

E. Appendices

Appendices A, Student Sample, contains personally identifiable information and will be emailed to Anthem College as an encrypted WinZip file using Advanced Encryption Standard, 256-bit upon request. The password needed to open the encrypted WinZip file(s) will be sent in a separate email.

Appendices B, C, D, E and F are attached to this report.

Appendix B

Program Review Report

Prepared for
Anthem College



PROUD SPONSOR of
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OPE ID: 022631-08
PRCN: 2013 3 04 28337

Prepared by: Toyoko Woodard
U.S. Department of Education
Federal Student Aid
School Participation Division-Atlanta

Program Review Report

August 7, 2013

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A. Institutional Information

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Title IV Participation Postsecondary Education Participants System (PEPS):

<u>Title IV Programs</u>	<u>2011-2012</u>
Federal Pell Grant (PELL)	\$ 15,887,491
Federal Supplemental Educational Opportunity Grant (SEOG)	\$ 930,128
Federal Work Study (FWS)	\$ 431,090
Federal Direct Loan (DL)	\$ 27,032,484

Default Rate FFEL/DL:	2010 – 6.4%
	2009 – 4.6%
	2008 – 8.5%

B. Scope of Review

The U.S. Department of Education (the Department) conducted a program review at Anthem College from May 20, 2013 to May 23, 2013. The review was conducted by Toyoko Woodard, Meghan Gladden and David Smittick.

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A sample of 30 files was identified for review from the 2011-2012 and 2012-2013 (year to date) award years. The files were selected randomly from a statistical sample of the total population receiving Title IV, HEA program funds for each award year. Appendix A lists the names and partial social security numbers of the students whose files were examined during the program review.

Disclaimer:

Although the review was thorough, it cannot be assumed to be all-inclusive. The absence of statements in the report concerning Anthem College's specific practices and procedures must not be construed as acceptance, approval, or endorsement of those specific practices and procedures. Furthermore, it does not relieve Anthem College of its obligation to comply with all of the statutory or regulatory provisions governing the Title IV, HEA programs.

This report reflects initial findings. These findings are not final. The Department will issue its final findings in a subsequent Final Program Review Determination letter.

C. Findings

During the review, several areas of noncompliance were noted. Findings of noncompliance are referenced to the applicable statutes and regulations and specify the actions to be taken by Anthem College to bring operations of the financial aid programs into compliance with the statutes and regulations.

Finding 1: Credit Balance Authorization Form Inadequate & Improper Use of the National Student Loan Data System (NSLDS)

Citation:

In obtaining the student's or parent's written authorization to hold Title IV credit balances, an institution:

1. May not require or coerce the student or parent to provide that authorization;
2. Must allow the student or parent to cancel or modify that authorization at any time; and
3. Must clearly explain how it will carry out that activity. 34 C.F.R. § 668.165

Noncompliance:

The credit balance authorization form used is not a separate form. The authorization is included on a form that contains a list of other statements and institutional agreements that are not directly related to Title IV credit balance authorizations. It appears Anthem College may detour students from rescinding the initial authorization to hold a credit balance by requiring several steps that include a specified requested amount of the credit balance and unauthorized explanations on how these funds will be used.

In addition, Anthem College improperly requires students to complete NSLDS exit counseling and submit the confirmation page every time they would like to request their credit balance. However, exit counseling is only required to be completed if a student has received a subsidized, unsubsidized or PLUS loan(s) under the Direct Loan Program or the FFEL Program, where a student must complete exit counseling each time they:

- Drop below half-time enrollment
- Graduate
- Leave school

Refer to <https://studentloans.gov/myDirectLoan/faqs.action> and the current Federal Student Aid Handbook for further reference if needed.

Required Action:

Anthem College must revise its Anthem Education Refund Request and Financial Aid Authorization forms. No unrelated statements should be included on the authorization form. The form must clearly state that the authorization may be modified and/or rescinded at any time. The form must be clearly titled, that it is a credit balance authorization form. The student should not be required to explain the personal use of the credit balance or complete NSLDS exit counseling. Anthem College must provide this office with a copy of the revised "Credit Balance Authorization Form" with their response to this report.

Finding 2: Credit Balance Made Late/Not Made

Citation:

A Federal Student Aid (FSA) credit balance occurs whenever your school credits FSA program funds to a student's account and the total amount of those funds exceeds the student's allowable charges. An institution must pay the resulting credit balance directly to the student or parent as soon as possible but no later than: See 34 C.F.R. § 668.164(c)

1. 14 days after the credit balance occurred if the credit balance occurred after the first day of class of a payment period; or
2. No later than 14 days after the first day of class of a payment period if the credit balance occurred on or before the first day of class of that payment period.

Similarly, a school is permitted to hold credit balances if it obtains a voluntary authorization from the student (or parent in the case of PLUS). If an institution has the authorization to hold credit balances, it must identify the amount of funds that it holds for the student or parent in a subsidiary ledger account designated for that purpose. Institutions must maintain at all times cash in its bank account at least equal to the amount it holds for students. See 34 C.F.R. § 668.165(b).

Because FSA funds are awarded to students to pay current year charges, notwithstanding any authorization from the student or parent, Institution's must pay:

1. Any remaining balance of FSA funds by the end of the loan period, and
2. Any other remaining FSA program funds by the end of the last payment period in the award period in the award year for which they were awarded.

Noncompliance:

The student account ledgers of 3 students indicated that they had late or unpaid credit balances. Anthem College did not have proper authorization on file in order to hold these credit balances.

The credit balances discrepancies are as follows:

- Student #4: This student completed a credit balance request on 10/04/12 for \$3,947. At the time of the request, the student had a credit of \$479.50. However, this student did not receive a credit balance until 11/20/12 whereas the full amount of the credit balance available was still not provided at that time.
- Student #9: The student's loan period ended 4/28/13. As of 5/22/13, the institution was still holding \$8,635.50 in credit balances, most of which was loan funds.
- Student #30: This student's loan period ended 1/6/2012 whereas a credit balance of \$6,938 was applied to the following loan period's tuition charges.

Required Action:

Paying credit balances late is a systemic problem and may indicate a lack of financial responsibility on the part of the institution. Holding credit balances due to students deprives students of funds needed for indirect costs such as books, transportation, childcare and other expenses. Anthem College did not have a subsidiary account holding these credit balances, and did not have permission from the students to hold these credit balances. (Please see Finding #3.).

Anthem College must make an attempt to provide Student #9 their credit balance check in the amount of \$8,635.50 and provide a copy of the cancelled check once this has been completed and/or provide supporting documentation that the attempt was made and unsuccessful with their response to this finding.

In addition, Anthem College's response must provide a description of the steps that will be taken to prevent a repeat finding in the future. Further instructions, if any, will be provided in the Final Program Review Determination Letter.

Finding 3: No Separate Subsidiary Ledger for Holding Credit Balances

Citation:

If an institution holds excess student funds, the institution must;

- Identify the amount of funds the institution holds **for each student** or parent in a subsidiary ledger account designed for that purpose;
- Maintain, at all times, cash in its bank account in an amount at least equal to the amount of funds the institution holds for the student; and
- Pay any remaining balance on loan funds by the end of the loan period and any remaining other Title IV, HEA program funds by the end of the last payment period in the award year for which they were awarded. 34 C.F.R. §668.165

Noncompliance:

Anthem College failed to provide and maintain a separate subsidiary ledger account that identifies each student, specific amount and date for retaining Title IV credit balances.

Required Action:

Federal regulations require that an institution to maintain a subsidiary ledger account for retaining Title IV credit balances for each individual student. If the institution plans to keep holding Title IV, HEA credit balances, the institution must establish and maintain a subsidiary ledger account.

Anthem College must provide a copy of the subsidiary ledger in your response to this finding or cease holding credit balances immediately. The institution's response must also provide a description of the steps that will be taken to prevent a repeat of this finding in the future.

Finding 4: Failure to Disclose Full Title IV Eligibility to Students

Citation:

34 C.F.R. § 685.301(a)(7) indicates, an institution may certify/originate a loan for an amount less than the borrower's maximum eligibility. However, the institution must ensure that these decisions are made on a case-by-case basis, and do not constitute a pattern or practice that denies access to borrowers because of race, sex, color, income, religion, national origin, age, handicapped status or selection of a particular lender or guarantor. In addition, an institution cannot engage in a practice of certifying Direct Loans only in the amount needed to cover the school charges or to limit unsubsidized Direct Loan borrowing by independent students. When the decision is made not to certify/originate a loan or to reduce the amount of the loan, the institution must document the reasons and provide the explanation to the student in writing.

Noncompliance:

Anthem College is unable to provide information to show how its packaging practices are beneficial to the individual student in terms of repayment terms, interest rates, etc. This practice of certifying students' loans for only tuition and fees also deprives students of funds needed for their indirect expenses (living expenses, transportation, dependent care for students with dependents and miscellaneous expenses) and may increase their overall costs of education.

It appears students were forced to guess how much remaining Title IV eligibility they may have available in order to request a credit balance whereas the institution did not disclose the maximum amount available to the student in order to prevent over borrowing.

Required Action:

The COA is the cornerstone of establishing a student's financial need, as it sets a limit on the total aid that a student may receive. The COA is determined by law (HEA, 20 U.S.C. § 1087kk.) The law specifies the type of costs that are included in the COA, but an institution must determine the appropriate amount to include for each category of students. Schools have the authority to adjust the COA on a case-by-case basis to allow for special circumstances. Such adjustments must be documented in the student's file.

Anthem College must revise its current Student Loan Packaging Policy to adhere to the regulations cited above. A copy of the revised policy must be provided in response to this report.

Finding 5: Inaccurate/Unsupported Attendance Records & Academic Transcripts

Citation:

34 C.F.R. § 668.24, states that a school must keep a comprehensive, accurate program and fiscal records related to its use of FSA program funds. The importance of maintaining complete, accurate records cannot be overemphasized. Program and fiscal records must demonstrate the school is capable of meeting the administrative and fiscal requirements for participating in the FSA programs. In addition, records must demonstrate proper administration of FSA program funds and must show a clear audit trail for FSA program expenditures. For example, *records for each FSA recipient must clearly show that the student was eligible for the funds received, and that the funds were disbursed in accordance with program regulations.*

The fiscal records that a school must maintain include, but are not limited to:

- Records of all FSA program transactions
- Bank statements for all accounts containing FSA funds
- Records of student accounts, including each student's institutional charges, cash payments, FSA payments, cash disbursements, refunds, returns, and overpayments required for each enrollment period
- General ledger (control accounts) and related subsidiary ledgers that identify each FSA program transaction (FSA transactions must be separate from school's other financial transactions)
- Records that support data appearing on required reports
- FSA program reconciliation reports
- Audit reports and school responses
- State grant and scholarship award rosters and reports
- Accrediting and licensing agency reports

Non-compliance:

Anthem College is unable to produce an academic transcript or supporting attendance records to determine the eligibility components for Student #6 and Student #13 before disbursing Title IV funds. Anthem College has failed to meet the record retention requirements for Title IV eligibility purposes.

Subsequently an email was sent to the Vice President of Title IV Compliance where the Department was advised that the student's enrollment was cancelled after they started and that it is the institution's policy to delete the student's schedule which as a result the student's schedule and attendance records are lost.

Without attendance records indicating each student's enrollment status, the institution may be disbursing Title IV funds to ineligible students; this deprives other eligible students of Title IV aid and creates a financial burden for the U.S. Department of Education.

Required Action:

In addition to the records required for each Title IV program, the institution must establish and maintain, on a current basis, records regarding the student's enrollment status at the institution, the program and courses in which the student is enrolled, and whether the student is maintaining satisfactory academic progress in the student's course of study. A student is only eligible for Title IV assistance if the student is a regular student enrolled or accepted for enrollment in an eligible program.

Without documentation to substantiate a student's enrollment status during a given period, the institution cannot prove that a student was enrolled and eligible to receive Title IV aid.

The institution must submit the missing attendance records for the above-mentioned students to this office with its response to this report. In the absence of such documentation, the institution may be held liable for all Title IV funds disbursed during periods in which attendance records cannot be provided for this student.

Anthem College's response must also provide a description of the steps that will be taken to prevent a repeat finding in the future which must include updated policies and procedures to properly retain student records. Further instructions, if any, will be provided in the Final Program Review Determination Letter.

Finding 6: Unclear Audit Trail

Citation:

34 C.F.R. § 668.24, states that a school must keep a comprehensive, accurate program and fiscal records related to its use of FSA program funds. The importance of maintaining complete, accurate records cannot be overemphasized. Program and fiscal records must demonstrate the school is capable of meeting the administrative and fiscal requirements for participating in the FSA programs. In addition, records must demonstrate proper administration of FSA program funds and must show a clear audit trail for FSA program expenditures.

Participating schools must account for the receipt and expenditure of Title IV, HEA program funds in accordance with generally accepted accounting principles.

Schools must establish and maintain on a current basis —

1. Financial records that reflect each HEA, Title IV program transaction; and
2. General ledger control accounts and related subsidiary accounts that identify each Title IV, HEA program transaction and separate those transactions from all other institutional financial activity.
3. Accounting and internal controls system that:

- Identify the cash balance of the funds of each Title IV, HEA program that are included in the institution's bank or investment account as readily as if those program funds were maintained in a separate account; and
- Identify the earnings on Title IV, HEA program funds maintained in the institution's bank or investment account.

Furthermore, the Blue Book, Chapter 3, page 44, states that your accounting records and systems for FSA funds must provide a *clear audit trail* that makes it possible to trace all federal cash from drawdown to its final destination. An audit trail, whether in a manual system, an automated system, or a combination of systems, includes the accounting record of a transaction and all the documentation that supports each transaction. In accounting records, when data is recorded, a reference should also be recorded to identify the source of the data. The reference can be in the form of a date, a name, an address, or a number such as a journal page number, ledger account number, or check number. These references, used throughout the accounting cycle, form an *audit trail* that makes it possible to trace the details of a transaction from the source document to the financial statements and accounting records.

Noncompliance:

The institution's student account ledgers and academic transcripts are not clear. Transcripts do not support disbursements listed on the student account ledgers. Transcripts do not clearly indicate when courses begin and end in order to effectively trace payment periods. Several transactions are listed out of chronological order and several transactions, including Title IV disbursements, returns and credit balances were not posted. For example,

- Student #1: The tuition charges and Title IV disbursements included on the student account ledger provided are not in chronological order and do not align with the student's payment periods.
- Student #19: This student has Pell funds that were posted to their ledger on 11/26/12 by error that are not in COD on 11/26/12 in the amount of \$1,750. In an attempt to correct the erroneous disbursement the institution backed \$1,850 in Pell funds off of the students account on 3/26/13 causing an under award. As a result, the institution owes this student \$100.
- Student #20: According to COD, the student received disbursements in the amount of \$4,456 in Direct Subsidized Loans on 11/26/2012 and 4/29/2013. These disbursements do not appear on the ledger.
- Student #22: The total net amount of the Direct Unsubsidized Loans disbursed to the student for the 2012-2013 award year on the student account ledger in the amount of \$5,984 conflicts with the total amount disbursed (after numerous transactions/corrections) in COD for \$5,941.

Student #25: The tuition charges versus the Title IV funds disbursed on the ledger have conflicting dates. In addition, it appears the tuition was posted on 10/24/12 twice, then again on 10/31/12, again on 11/26/12, and again on 4/18/13. However, these dates do not correspond with the payment periods.

Student #27: The institution indicates this student is on a restrictive schedule whereas there are various documents that would give the impression that the student is part time. In addition, it appears the student was only awarded half of their loan eligibility but there is no documentation to support why. The institution needs to provide documentation to support the student's enrollment and packaging.

Student #28: The reviewers were unable to match disbursements for 2012-13 with the class schedule. Pell funds were disbursed and returned multiple times with various amounts. Transcripts do not support disbursements. An explanation is required to support disbursements and to validate that the student was not over or under awarded.

Unclear audit trails makes the tracking of Title IV eligibility, credit balances, charges for each applicable payment period, and refunds very difficult to decipher.

Required Action:

When student account ledgers are not clear, credit balances cannot be identified, and students may not receive funds for indirect costs of education.

The institution must revise its student account ledgers and enter all transactions in chronological order. The school must be able to adequately track courses and credit balances by payment periods and determine if credit balances are due and paid to students timely.

Anthem College must review all students selected in the sample and make the applicable corrections to all the student account ledgers to ensure all transactions have been posted correctly and in chronological order.

Copies of the corrected student account ledgers and transcripts for the sampled students must be submitted with the response to this report. Anthem College's response must also provide a description of the steps that will be taken to prevent a repeat of this finding in the future. Further instructions, if any, will be provided in the Final Program Review Determination Letter.

Finding 7: Inaccurately Reporting Information to COD

Citation:

34 C.F.R. § 690.83 requires institutions to submit a student's payment data (including disbursement dates) to the Secretary by the reporting deadlines published in the Federal Register. The Secretary accepts a student's Payment Data that is submitted in accordance with procedures established through publication in the Federal Register, and that contains information the Secretary considers to be accurate in light of other available information including that previously provided by the student and the institution.

An institution shall report to the Secretary any change in the amount of a grant for which a student qualifies including any related Payment Data changes by submitting to the Secretary the student's Payment Data that discloses the basis and result of the change in award for each student. The institution shall submit the student's Payment Data reporting any change to the Secretary by the reporting deadlines published by the Secretary in the Federal Register.

An institution shall submit, in accordance with deadline dates established by the Secretary, through publication in the Federal Register, other reports and information the Secretary requires and shall comply with the procedures the Secretary finds necessary to ensure that the reports are correct.

In addition, institutions are required to submit Federal Pell Grant and/or Federal Direct Loan disbursement records to the Common Origination and Disbursement (COD) system no later than 30 days after making a disbursement or becoming award of the need to adjust a student's previously reported disbursement. Refer to the Federal Register for the most recent reporting deadlines and requirements. The disbursement date is the date that the institution:

- (a) Credits funds to a student's account, or;
- (b) Pays funds to a student directly

An institution must have an adequate internal system to identify conflicting information—~~regardless of the source and regardless of whether the student is selected for verification—that~~ would affect a student's eligibility, such as information from the admissions office as to whether the student has a high school diploma or information from other offices regarding academic progress and enrollment status. The school must resolve all such conflicting information, except when the student dies during the award year.

If your school has conflicting information concerning a student's eligibility or you have any reason to believe a student's application information is incorrect, you must resolve the discrepancies before disbursing FSA funds. If you discover discrepancies *after* disbursing FSA funds, you must still reconcile the conflicting information and take appropriate action under the specific program requirements.

Noncompliance:

Disbursement dates reported to COD were not accurate. The following chart illustrates an example of the difference between dates that Title IV funds were disbursed to the student's account versus disbursements dates reported to COD.

Student #	COD	Student Account Ledger	Program	Amount
1	8/02/11	10/27/11	DL - Unsub	\$2,778
3	1/25/12	1/09/12	Pell	\$1,561
4	5/29/12	7/06/12	Pell	\$2,775
6	3/05/12	3/14/12	Pell	\$2,775
11	9/26/11	11/03/11	Pell	\$1,050
19	N/A	11/26/12	Pell	\$1,750
20	11/26/12	N/A	DL - Sub	\$2,250
22	5/20/13	3/21/13	DL - Unsub	\$2,220
27	8/27/12	10/24/12	Pell	\$2,775

In addition, Student #22 had conflicting dates where Subsidized Direct Loan funds in the amount of \$990 were returned on the student account ledger on 3/26/13. However, COD indicates this disbursement was not returned until 5/21/13.

Required Action:

Anthem College must review COD reporting procedures to determine why disbursement dates and conflicting information reported are not accurate for its students. Anthem College must correct its procedures so that disbursement dates reported to COD are the dates that Federal Pell funds and Direct Loans are credited to the student's account or paid to the student directly. In addition, the institution must correct the disbursement dates in COD for ALL of the students that were selected during this review. To show the corrections have been made in COD, the institution must provide this office with a copy of the "Award Disbursements Information" page from the COD system. Anthem College's response must describe procedures that the institution will put into place in order to correct these deficiencies.

Finding 8: Satisfactory Academic Progress (SAP) & Attendance Policy & Procedures are Inadequate and not Adequately Monitored

Citation:

34 C.F.R. § 668.34 states, an institution must establish a reasonable satisfactory academic progress policy for determining whether an otherwise eligible student is making satisfactory academic progress in his or her educational program and may receive assistance under the Title IV, HEA programs. The Secretary considers the institution's policy to be reasonable if—

The policy is at least as strict as the policy the institution applies to a student who is not receiving assistance under the Title IV, HEA programs;

The policy provides for consistent application of standards to all students within categories of students, *e.g.*, full-time, part-time, undergraduate, and graduate students, and educational programs established by the institution;

The policy provides that a student's academic progress is evaluated if the institution has established —

- (i) A qualitative component which consists of grades (provided that the standards meet or exceed the requirements of §668.34), work projects completed, or comparable factors that are measurable against a norm.
- (ii) A quantitative component that consists of a maximum timeframe in which a student must complete his or her educational program. The timeframe must—
 - For an undergraduate program, be no longer than 150 percent of the published length of the educational program measured in academic years, terms, credit hours attempted, clock hours completed, etc. as appropriate;
 - Be divided into increments, not to exceed the lesser of one academic year or one-half the published length of the educational program;
 - Include a schedule established by the institution designating the minimum percentage or amount of work that a student must successfully complete at the end of each increment to complete his or her educational program within the maximum timeframe; and
 - Include specific policies defining the effect of course incompletes, withdrawals, repetitions, and noncredit remedial courses on satisfactory progress;

An institution's SAP policy must contain appeals procedures through which a student may appeal a determination that he or she is not meeting SAP standards. A school may permit appeals of adverse determinations for mitigating circumstances. If so, the written SAP policy must explain mitigating circumstances and appeals procedures. When an institution approves an appeal for mitigating circumstances it suspends SAP standards for that student. You are not eliminating or disregarding one or more grades credits attempted in the calculation of a student's SAP. The student's permanent academic record is not modified. So, when you grant an appeal, you are acknowledging that, because of the documented unusual circumstance, the student continues to be eligible even though he or she falls below the school's SAP standard. An institution's SAP policy must also have a written procedure that contains specific procedures through which a student can reestablish SAP.

Pursuant to 34 C.F.R. § 668.32, of the General Provisions regulations a student must maintain satisfactory progress in his or her course of study according to the institution's published standards of satisfactory academic progress that satisfy the provisions of Section 668.16(e). Federal regulations require an institution to consistently apply its SAP standards to all students within categories of students (i.e., full-time, part-time, undergraduate and graduate students, and educational programs established by the institution). The school must determine, prior to disbursing Title IV funds, if a student is meeting satisfactory progress standards.

34 C.F.R. § 668.22 (b) states,

An institution is required to take attendance if—

- (A) An outside entity (such as the institution's accrediting agency or a State agency) has a requirement that the institution take attendance;
- (B) The institution itself has a requirement that its instructors take attendance; or
- (C) The institution or an outside entity has a requirement that can only be met by taking attendance or a comparable process, including, but not limited to, requiring that students in a program demonstrate attendance in the classes of that program, or a portion of that program.

Noncompliance:

Anthem College does not follow and/or monitor attendance adequately according to their institutional attendance policies and procedures.

Anthem has caveats in its attendance policy that can result in differing consequences for its students. The institutional policy states:

- If a student's absences reach 10%, he or she may be placed on Attendance Warning.
- If absences reach 15%, the student may be required to appear before an Attendance Review Board and placed on attendance restrictions other action determined by the Board.
- A student who is absent for 14 consecutive class days is automatically expelled from school.

Because of its current phrasing, the consequences are ambiguous and optional. Additionally, the policy can be applied and be interpreted differently toward students, for example Student #: 9 consistently missed between 20-60% of her classes, but never received any warnings.

Required Action:

Anthem College must follow and/or monitor attendance and SAP adequately according to their institutional Attendance and SAP policies and procedures.

In addition, Anthem College must provide copies of their attendance and SAP policy and procedure revisions and corrective action measures taken to ensure students SAP is being monitored with their response to this report. The institution's response must also provide a description of the steps that will be taken to prevent a repeat finding in the future.

Finding 9: Verification Violation

Citation:

34 C.F.R. § 668.54 states, an institution shall require each applicant whose application is selected for verification on the basis of edits specified by the Secretary to verify all of the applicable items specified in 34 C.F.R. § 668.56.

The purpose of verification is to ensure that Title IV funds are awarded to student applicants in the correct amount. Students are selected for verification on the basis of application edits specified by the Secretary. An institution must establish procedures to request, receive and verify applicant data for each award year. Institutions are also responsible for resolving conflicting information related to a student's application for Title IV aid. There are five required data elements that must be verified. These five items are:

- Household size (HHS)
- Number enrolled in college;
- Adjusted Gross Income (AGI);
- U.S. income tax paid; and,
- Other untaxed income and benefits

34 C.F.R. § 668.54 of the General Provisions regulation states that an institution must verify all applications CPS selects for verification.

In general, your school must have correct data before it can pay the student. If your school has conflicting information concerning a student's eligibility or you have any reason to believe a student's application information is incorrect, you must resolve the discrepancies before disbursing Title IV funds. If you discover discrepancies after disbursing Title IV funds, you must still reconcile the conflicting information and take appropriate action under the specific program requirements.

Furthermore the Federal Student Aid Handbook 2011-2012 Ch. 2—Filling Out the FAFSA states, a stepparent is treated like a biological parent if the stepparent has legally adopted the student or if the stepparent is married, as of the date of application, to a student's biological or

adoptive parent whose information will be reported on the FAFSA. **There are no exceptions.** A prenuptial agreement does not exempt the stepparent from providing information required of a parent on the FAFSA. The stepparent's income information for the entire base year, 2010, must be reported even if the parent and stepparent were not married until after 2010. See above for how to fill out the parent questions when the stepparent's spouse (the biological parent) dies; if the stepparent has not adopted the student, he would no longer provide parental information as before, but any financial support he gives to the student would be counted as untaxed income.

Noncompliance:

Anthem College did not accurately complete verification for Student #4. This student was selected for verification; however, there are no supporting verification documents provided in the student's financial aid file to indicate the stepparent listed has legally adopted the student whereas the stepparent indicated on the FAFSA that they are divorced at the time of completion.

A stepparent who did not adopt the student cannot be the sole parent for determining dependency status. If the other parents are divorced, the student is still a dependent of the remaining biological parent, not the stepparent. The biological parent(s) are required to complete the FAFSA and submit the required verification documents. Therefore, verification is not considered to be complete.

Required Action:

Anthem College's response to this finding should provide copies of the missing verification documentation to support Student #4's eligibility for the Title IV funds that were disbursed. In addition, the institution must explain corrective actions the institution will take to complete verification and resolve applicant discrepancies in the future in its response to this report.

Finding 10: Failure to Resolve C-code for Citizenship Issue

Citation:

34 C.F.R. § 668.33 states, except as provided in paragraph (b) of this section, to be eligible to receive title IV, HEA program assistance, a student must—

- (1) Be a citizen or national of the United States; or
- (2) Provide evidence from the U.S. Immigration and Naturalization Service that he or she—
 - (i) Is a permanent resident of the United States; or
 - (ii) Is in the United States for other than a temporary purpose with the intention of becoming a citizen or permanent resident;

A student who satisfies the requirements of paragraph (a) of this section is eligible to receive funds under the FWS, FSEOG, and Federal Pell Grant programs if the student attends a public or

nonprofit private eligible institution of higher education in the Federated States of Micronesia, Republic of the Marshall Islands, or the Republic of Palau.

If a student asserts that he or she is a citizen of the United States on the Free Application for Federal Student Aid (FAFSA), the Secretary attempts to confirm that assertion under a data match with the Social Security Administration. If the Social Security Administration confirms the student's citizenship, the Secretary reports that confirmation to the institution and the student.

If the Social Security Administration does not confirm the student's citizenship assertion under the data match with the Secretary, the student can establish U.S. citizenship by submitting documentary evidence of that status to the institution. Before denying title IV, HEA assistance to a student for failing to establish citizenship, an institution must give a student at least 30 days notice to produce evidence of U.S. citizenship.

34 C.F.R. § 668.135 states, if—the institution receives an output document indicating that the student must provide the institution with evidence of the student's immigration status required under § 668.33(a)(2); or receives an output document that satisfies the requirements of §668.132(a) (1) and (2), but the institution has documentation that conflicts with the immigration-status documents submitted by the student or the immigration status reported on the output documents; or has reason to believe that the immigration status reported by the student is incorrect; and the institution determines that the immigration-status documents submitted by the student constitute reasonable evidence of the student's claim to be an eligible noncitizen.

Noncompliance:

Anthem College failed to resolve the citizenship ISIR code for Student #6 before disbursing Title IV funds for the 2011-2012 award year. The ISIR in the student's file indicates that the Social Security Administration was not able to confirm that Student #6 is a U.S. citizen. There is no indication in the file that the C code for questionable citizenship was resolved. There is no documentation in the file indicating that citizenship was confirmed.

Anthem College disbursed \$2,775 in Pell Grant funds, \$1,742 in Direct Subsidized Loan funds and \$504 in Direct Unsubsidized Loan funds for the 2011-2012 award year on 5/14/12. These funds were subsequently returned to the Department on 5/16/12.

In addition, Anthem College disbursed \$2,775 in Pell Grant funds on 8/21/12 for the 2012-2013 award year and did not return these funds until 4/29/13.

Required Action:

The institution must obtain documentation to confirm the citizenship for the student above. If citizenship cannot be confirmed, repayment instructions, if any, will be provided in the final program review determination letter.

Finding 11: Default Status Not Resolved Prior to Disbursement

Citation:

34 § C.F.R. § 668.164 Student Assistance General Provisions, states an institution may disburse Title IV, HEA program funds to a student or parent for a payment period only if the student is enrolled for classes for that payment period and is eligible to receive those funds.

34 C.F.R. § 668.32(g)(1), Student Assistance General Provisions, states among other criteria, a student is considered eligible for Title IV, HEA program funds if he or she is not in default, and certifies that he or she is not in default, on a loan made under any Title IV, HEA loan program.

34 C.F.R. § 668.35 indicates, a student in default on a Title IV, HEA program loan cannot receive further Title IV aid until he/she resolves the default.

(a) A student who is in default on a loan made under a title IV, HEA loan program may nevertheless be eligible to receive Title IV, HEA program assistance if the student—

(1) Repays the loan in full; or

(2) Except as limited by paragraph (c) of this section—

(i) Makes arrangements, that are satisfactory to the holder of the loan and in accordance with the individual title IV, HEA loan program regulations, to repay the loan balance; and

(ii) Makes at least six consecutive monthly payments under those arrangements.

Noncompliance:

Anthem College disbursed Title IV funds to Student #3 and 29 who have unresolved default statuses in NSLDS.

Student #3: This student has an unresolved default status for their Perkins loan in NSLDS as of November 12, 2012. There is no supporting documentation on file to indicate the student has met the requirements to regain Title IV eligibility.

Title IV funds were not disbursed for the award year reviewed after the default date. However, Title IV funds have been subsequently disbursed for the 2012-2013 award year whereas the student is still reported in NSLDS as having an unresolved default status.

Student #29: This student has an unresolved default status for their consolidated loans in NSLDS as of January 4, 2013. There is no supporting documentation on file to indicate the student has met the requirements to regain Title IV eligibility.

The following ineligible Title IV funds were disbursed for the 2012-2013 award year:

- Pell funds in the amount of \$2,450 were disbursed on 1/07/2013
- Direct Subsidized Loan funds in the amount of \$1,750 were disbursed on 1/07/2013
- Direct Unsubsidized Loan funds in the amount of \$3,000 were disbursed on 1/07/2013

In addition, it has also been noted that Title IV funds have been subsequently disbursed for the 2013-2014 award year whereas the student is still reported in NSLDS as having the unresolved default status.

Required Action:

Anthem College must provide documentation for Student #3 and #29 that supports their default status has been resolved, or Anthem College will be liable for all aid disbursed to this student. In addition, Anthem College must implement procedures to prevent future occurrences. A copy of those procedures must be submitted in response to this report.

Finding 12: Early Disbursements Prior to Reaching Next Payment Periods

Citation:

34 C.F.R. § 668.164(a) states, an institution makes a disbursement of Title IV, HEA program funds on the date that the institution credits a student's account at the institution or pays a student or parent directly with funds received from the Secretary; funds received from a lender under the FFEL program; or institutional funds used in advance of receiving Title IV, HEA program funds if earlier than 10 days before the first day of classes of a payment period, or for a student subject to the 30 days delay requirements.

Furthermore, 34 C.F.R. § 690.76, states in each payment period, an institution may pay a student at such times and in such installments as it determines will best meet the student's needs. The student's enrollment status must be determined according to work already completed.

34 C.F.R. § 668.166(a) states, an institution's authorization in GAPS is increased based on disbursement records processed in COD for Pell and Direct Loans. If the institution draws down funds from GAPS, the funds must be disbursed to the student in which the COD records were processed for, or to another eligible student if that student is longer eligible, within three

business days, or the funds must be returned to the Department. If the funds are not returned to the Department, those funds are considered excess cash.

Noncompliance:

Title IV disbursements for three students were disbursed before each student reached the next payment period.

Student #2: Pell funds were disbursed on 12/21/12 in the amount of \$2,775 prior to reaching the eligibility requirements for next payment period. Funds were not returned until 2/05/13.

Student #22: Pell funds were disbursed on ledger for 3/12/13 in the amount of \$2,775 prior to reaching the eligibility requirements for the next payment period. Funds were not returned until 3/26/13.

Student#23: Pell funds were disbursed on 12/26/12 in the amount of \$2775, a Direct Subsidized Loan was disbursed in the amount of \$1,733 on 2/11/13, a Direct Unsubsidized Loan was disbursed in the amount of \$986 on 2/11/13. The student did not successfully complete 12 credit hours until 4/28/2013.

Required Action:

A disbursement is defined as the date that the institution credits a student's account or pays a student or parent directly with funds received from the Secretary or a lender. The funds can be disbursed no earlier than 10 days before the term begins. Anthem College must create procedures to ensure this finding is not repeated in future audits or program reviews and provide a copy in response to this report.

Finding 13: Ineligible Disbursements (Pell & Direct Loans)

Citation:

If a registered student withdraws or is expelled prior to the first day of classes of the period of enrollment, an institution must return any disbursed Title IV funds to the respective program. ³⁴ C.F.R. § 668.21(a)

³⁴ C.F.R. § 668.22(b)(1) indicates, if an institution disburses Title IV funds but the student does not begin attendance or the institution cannot document that the student ever began attendance, it must return any funds that were credited to the student's account, as well as the amount of any payments that the student made to the school. All schools must return funds disbursed to a student who failed to begin attendance. At a school that is required to take attendance it would

be reasonable to expect the school to return disbursed funds immediately following the 14-day period the school is allowed to determine that a student is not attending class.

34 C.F.R. § 668.166 states, that the Secretary considers excess cash to be any amount of Title IV, HEA program funds, other than Federal Perkins Loan Program funds, which an institution does not disburse to students or parents by the end of the third business day following the date the institution, received those funds from the Secretary.

Noncompliance:

Anthem College disbursed and retained Title IV funds for Student #23 before completing the prior payment periods. This student never passed the first payment period. Anthem College was unable to provide any documentation to support these drawdowns.

Required Action:

Anthem College needs to demonstrate that the student earned the additional funds for the 2nd and 3rd payments. The institution must also review its procedures to forecast cash needs and request federal funds to minimize its cash balances.

Finding 14: Enrollment Status Not Verified Before Disbursement

Citation:

34 C.F.R. § 690.75 indicates, that for each payment period, an institution may pay a Federal Pell Grant to an eligible student only after it determines that the student—

- (1) Qualifies as an eligible student under 34 CFR Part 668, Subpart C;
- (2) Is enrolled in an eligible program as an undergraduate student; and
- (3) If enrolled in a credit hour program without terms or a clock hour program, has completed the payment period as defined in § 668.4 for which he or she has been paid a Federal Pell Grant.

To be eligible for Title IV student financial assistance, a student must be enrolled or accepted for enrollment in an eligible program. Institutions must verify student eligibility, including the student's enrollment status, before making Title IV disbursements. The student's enrollment status determines the student's eligibility for each Title IV program. The regulations specify minimum enrollment standards for each program.

Noncompliance:

Anthem College disbursed Title IV funds to Student # 13 without verifying her enrollment status. An institution that fails to establish a student's eligibility for Title IV, HEA funds may deprive other needy students of funds and create a financial burden for the U.S. Department of Education.

Required Action:

In response to this finding, the institution must develop written procedures that describe how it will prevent improper disbursements to students based on changes in their enrollment status. A copy of these procedures must be submitted to this office.

Finding 15: Maximum Annual Direct Lending (DL) Award Exceeded

Citation:

34 C.F.R. § 685.203 indicates, for any academic year of study the maximum annual Direct Loan amount a student may borrow for subsidized and unsubsidized loans for a first-year dependent undergraduate is \$5,500, however; no more than \$3,500 of this amount may be in subsidized loans.

Under paragraph (c)(1)(ii) of C.F.R. § 685.203, a dependent student whose parents are ineligible for a Direct PLUS Loan may be able to receive additional loan funds. In order for a dependent undergraduate student to receive this additional loan amount, the financial aid administrator must determine that the student's parent likely will be precluded by exceptional circumstances from borrowing under the Federal Direct PLUS Program or the Federal PLUS Program and the student's family is otherwise unable to provide the student's expected family contribution. The financial aid administrator shall base the determination on a review of the family financial information provided by the student and consideration of the student's debt burden and shall document the determination in the school's file.

Noncompliance:

Anthem College awarded Student #4 an additional unsubsidized loan that exceeded the student's annual undergraduate dependent loan limit. The institution was unable to provide supporting documentation that the parent was denied a Direct Plus Loan and/or met any of the exceptional circumstances for borrowing a Direct Plus Loan. As a result, this student was over awarded \$4,000 in Unsubsidized Federal Direct Loans.

Required Action:

Anthem College is liable for the over awarded amount of \$4,000 in Unsubsidized Federal Direct Loans. Anthem College must provide copies of their Packaging and Awarding policy and

procedure revisions and corrective action measures to ensure students Title IV awards are being packaged and disbursed appropriately with their response to this report. The institution's response must also provide a description of the steps that will be taken to prevent a repeat finding in the future. Further repayment instructions, if any, will be provided in the Final Program Review Determination Letter.

Finding 16: Failure to Prorate Direct Loans

Citation:

34 C.F.R. § 685.203(a)(c) states, the annual maximum loan amount an undergraduate student may borrow must be prorated in certain situations:

- when the student is enrolled in a program that is shorter than a full academic year; and
- when the student is enrolled in a program that is one academic year or more in length, but is in a remaining period of study that is shorter than a full academic year.

The loan pro-ration determines the maximum loan amount that a student may borrow for a program or remaining balance of a program, not the loan amount that the student actually receives. In some cases, the actual loan amount that a student is eligible to receive (based on costs, EFC, and other aid) may be less than the prorated loan limit.

Noncompliance:

Anthem College failed to prorate the loans accurately for a student who is enrolled in a program that is one academic year or more in length, but is in a remaining period of study that is shorter than a full academic year.

Student #20: The third year of this program ends before reaching the school's definition of an award year. The award eligibility was \$5,500 and the award year ends at 15 credit instead of the defined 24 credit hours. Had the student completed the third award year per the school's catalog, the student was only eligible for \$3,437 ($\$5,500 \times 15 / 24 = \$3,437$). Anthem College awarded this student \$4,500. As a result, Anthem College over awarded this student \$1,063 in Direct Subsidized Loans.

Required Action:

Anthem College is reminded that failure to properly pro-rate loan for programs shorter than an academic year could result in students receiving Title IV funds that exceed their needs. The institution must also provide written assurance that all future Direct Loans will be certified with the correct loan proration. Further repayment instructions, if any, will be provided in the Final Program Review Determination Letter.

Finding 17: Return of Title IV (R2T4) Not Made/Made Late

Citation:

An institution is required to return funds to the applicable Title IV program when a recipient withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance. 34 C.F. R. § 668.22

Pursuant to 34 C.F. R. § 668.173 (b) an institution returns unearned Title IV program funds timely if the institution deposit or transfers the funds into the bank account it maintains under § 668.163 no later than 45 days after the date it determines that the student withdrew.

34 C.F.R. § 668.22 states, when a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV grant or loan assistance that the student earned as of the student's withdrawal date.

Institutions that are required to take attendance are expected to have a procedure in place for routinely monitoring attendance records to determine in a timely manner when a student withdraws. Except in unusual instances, the date of the institution's determination that the student withdrew should be no later than 14 days (less if the school has a policy requiring determination in fewer than 14 days) after the student's last date of attendance as determined by the institution from its attendance records.

Furthermore, if the number of days in the school's policy is less than 14 days, then the date of the school's determination that the student withdrew is the date the school's policy indicates that the student will be administratively withdrawn. A school must return the amount of Title IV funds for which it is responsible as soon as possible, but no later than 45 days after it determines or should have determined that the student withdrew. In addition, if a student is due a Post-withdrawal disbursement, then the date of the school's determination must allow for the school to meet the 30-day Post-withdrawal disbursement notification requirement.

The date of the institution's determination that the student withdrew is used in the following circumstances:

- A school must offer any amount of a Post-withdrawal disbursement that is not credited to the student's account within 30 days of the date of determination.
- If the student or parent submits a timely response that instructs the school to make all or a portion of the Post-withdrawal disbursement, the school must normally disburse the funds within 180 days of the date of determination.
- A school must document a student's withdrawal date and maintain the documentation as of the date of determination.

- Within 30 days of the date of determination, a school must notify a student if a grant overpayment is due.

Noncompliance:

Anthem College failed to determine, complete and calculate the R2T4 for Students #7 and Student #18 within the required timeframe.

- Student #7: This student withdrew before the end of the payment period on 2/13/12. However, there was no documentation in the students file to support that an R2T4 calculation was performed.
- Student #18: This student withdrew before the end of the payment period on 1/15/13. However, the unearned Title IV funds were not returned to the Department until 5/21/13.
- Student #25: This student withdrew 1/31/13 then returned 4/29/13. However, the institution originally completed the R2T4 late and did not return the original unearned aid \$973.98 in Unsubsidized Direct Loan funds until 3/20/13.

Required Action:

It was determined after the R2T4 calculation was completed for Students #7 that this student did not require any Title IV funds to be returned. Anthem College's response must provide a description of the steps that will be taken to prevent a repeat finding in the future to ensure refunds are determined and calculated within the required timeframe to ensure timely return of funds and/or post withdrawal disbursements are made.

Failure to make refunds in a timely manner is a demonstration of impaired administrative capability. Continuous demonstration of impaired administrative capability made result in administrative action against the school. Further repayment instructions, if any, will be provided in the Final Program Review Determination Letter.

Finding 18: Return of Title IV (R2T4) Calculation Errors

Citation:

34 C.F.R. § 668.22 When a Title IV recipient withdraws from an institution during a payment period or period of enrollment in which he or she began attendance, the institution must determine the amount of Title IV assistance the student earned (or could have earned) as of the date of withdrawal. The amount of aid earned is calculated by determining how much of the payment period the student completed, and then multiplying that percentage by the amount of Title IV funds he received or could have received.

Noncompliance:

Anthem College did not calculate and return the proper amount of Title IV funds for Student # 18, for example:

The institution R2T4 calculation indicates that the total amount of Title IV funds of \$811.83 was required to be returned by the school. However, the institution failed to use the correct amount of Title IV aid disbursed or that could have been disbursed. In addition, the institution used their own R2T4 calculation form that appears to lack the component that determines if a student is eligible for a post-withdrawal disbursement.

As result, Anthem College failed to correctly calculate the R2T4 for this student. The correct calculation requires a total of \$4,130.09 in Subsidized and Unsubsidized Direct Loans to be returned and the return of the post-withdrawal disbursement of Pell for \$2,775 made to the student by error.

In addition, Student #25 withdrew 1/31/13 then returned 4/29/13. However, the institution originally completed the R2T4 late and did not return the original unearned aid \$973.98 in Unsubsidized Direct Loan funds until 3/20/13. The R2T4 calculation completed by the institution was correct. However, the student re-entered into the same program of study less than 180 days from their LDA whereas Anthem College failed to reallocate the returned funds back to the student.

Required Action:

Anthem College is required to revise its procedures to ensure R2T4s are performed accurately and the correct amount of Title IV aid is returned when performing R2T4 calculations for students who cease attendance. This procedure must be corrected immediately. Your response to this finding must provide a copy of these revisions and assurance that this finding will not be repeated in the future. Further repayment instructions, if any, will be provided in the Final Program Review Determination Letter.

Finding-19: Student Status-Inaccurate/Untimely-Reporting

Citation:

All schools participating in the Federal Student Aid (FSA) programs must have some arrangement to report student enrollment to the NSLDS through a Roster file (formerly called the SSCR). Student information is extremely important because it is used to determine if the student is still considered in school, must be moved into repayment, or is eligible for an in school deferment. For students moving into repayment, the out of school status effective date determines when the grace period begins and how soon a student must begin repaying loan funds.

34 C.F.R. § 685.309(b) indicates upon receipt of a student status confirmation report from the Secretary, complete and return that report to the Secretary within 30 days of receipt; and

(2) Unless it expects to submit its next student status confirmation report to the Secretary within the next 60 days, notify the Secretary within 30 days if it discovers that a Direct Subsidized, Direct Unsubsidized, or Direct PLUS Loan has been made to or on behalf of a student who—

(i) Enrolled at that school but has ceased to be enrolled on at least a half-time basis;

(ii) Has been accepted for enrollment at that school but failed to enroll on at least a half-time basis for the period for which the loan was intended; or

(iii) Has changed his or her permanent address.

Noncompliance:

Anthem College did not report to NSLDS status updates timely or accurately for several students, for example:

Student #4: The enrollment reported indicates that the student never attended. However, Title IV funds were disbursed for the 2011-2012 and 2012-2013 award years with corresponding courses completed.

Student #8: The enrollment reported was inaccurate and untimely. The last day of attendance (LDA) was 12/20/12. However, the institution reported the LDA as 2/14/12 on 4/04/13.

Student #15: Anthem College failed to report this student withdrew on 7/28/11.

Student #18: The enrollment reported was inaccurate and untimely. LDA was 1/17/13
~~institution reported 2/28/13 on 4/26/13.~~

Required Action:

The institution must update the enrollment status for the students in this finding. In addition, Anthem College must initiate new procedures to review and, when necessary, update the NSLDS data for their students.

Finding 20: Exit Counseling Deficiencies

Citation:

34 C.F.R. § 685.304(b) states, a school must ensure that exit counseling is conducted with each Direct Subsidized Loan or Direct Unsubsidized Loan borrower and graduate or professional student Direct PLUS Loan borrower shortly before the student borrower ceases at least half-time study at the school.

The exit counseling must be in person, by audiovisual presentation, or by interactive electronic means. In each case, the school must ensure that an individual with expertise in the Title IV programs is reasonably available shortly after the counseling to answer the student borrower's questions. As an alternative, in the case of a student borrower enrolled in a correspondence program or a study-abroad program approved for credit at the home institution, the student borrower may be provided with written counseling materials within 30 days after the student borrower completes the program.

If a student borrower withdraws from school without the school's prior knowledge or fails to complete the exit counseling as required, exit counseling must be provided either through interactive electronic means or by mailing written counseling materials to the student borrower at the student borrower's last known address within 30 days after the school learns that the student borrower has withdrawn from school or failed to complete the exit counseling as required.

34 C.F.R. § 685.304, states the school must maintain documentation substantiating the school's compliance with this section for each student borrower.

Noncompliance:

There was no documentation to verify that Students #8, 12, and 22 who had ceased to be enrolled, received the required Federal Stafford Loan exit counseling.

Required Action:

In response to this finding, the institution must provide supporting documentation verifying proof exit counseling has been completed by the applicable 2 students. In addition, the institution must submit an updated copy of their policies and procedures for conducting Entrance and Exit Counseling to ensure future compliance.

Finding 21: Ineligible Program Failure to Update Eligibility Certification Approval Report (ECAR)

Citation:

34 C.F.R. § 600.20 states, an institution must notify the Secretary of its intent to offer an additional educational program, or provide an application to expand its eligibility, in a format

prescribed by the Secretary and provide all the information and documentation requested by the Secretary to make a determination of its eligibility and certification.

An institution that notifies the Secretary of its intent to offer an additional educational program under paragraph (c)(3) of this section must at a minimum—

- Submit documentation that the program has been approved by its accrediting agency or is otherwise included in the institution's accreditation by its accrediting agency or comparable documentation if the institution is a public postsecondary vocational institution approved by a recognized State agency for the approval of public postsecondary vocational education in lieu of accreditation.

34 C.F.R. § 600.20 (f)(5) further states, if an institution does not apply to the Secretary to obtain the Secretary's approval of a new location, program, increased level of program offering, or branch, and the location, program, or branch does not qualify as an eligible location, program, or branch of that institution under this part and 34 C.F.R. part 668, the institution is liable for all Title IV, HEA program funds it disburses to students enrolled at that location or branch or in that program.

34 C.F.R. § 668.8 states, an eligible program provided by a proprietary institution of higher education or postsecondary vocational institution provides training that prepares a student for gainful employment in a recognized occupation as provided under §668.6.

An institution must repay to the Secretary all HEA program funds received by the institution for an educational program, and all the Title IV, HEA program funds received by or on behalf of students who enrolled in that program if the institution—

- Fails to obtain the Secretary's approval to offer an additional educational program that prepares students for gainful employment in a recognized occupation as provided under paragraph (c)(1) of this section; or
- Incorrectly determines that an educational program that is not subject to approval under paragraph (c)(1) of this section is an eligible program for Title IV, HEA program purposes.

Noncompliance:

Anthem College disbursed Title IV aid to students enrolled in the Health Information Management Diploma program. This program was not reported to the Department during the change of ownership recertification process and as a result this program does not meet the requirements for Title IV eligibility.

Before the institution may determine programs to be eligible and disburse funds to enrolled students, the institution must have received both the required state and accrediting agency approvals. Anthem College failed to provide supporting documentation to the Department in

order to demonstrate proper approvals were obtained before disbursing Title IV funds for the Health Information Management Diploma Program.

Required Action:

An institution's eligibility does not necessarily extend to all of its programs. Before awarding Title IV funds, Anthem College must make certain that the program is included under its notice of accreditation from a nationally recognized accrediting agency and is authorized by the appropriate state agency to offer the program.

In response to this finding, Anthem College must provide this office with documentation from its accrediting and state agency to support the date of the approval for the Health Information Management Diploma Program. Anthem College must immediately update the ECAR to include all programs offered and submit any required supporting documentation to the Department. Supporting documentation of completion must be included with the institution's response.

In addition, Anthem College must perform a file review of all students enrolled in the program during the time period in which it was not approved and submit a report with the following information:

1. Student's Name
2. Social Security Number
3. Ineligible Program in which Student was Enrolled
4. Dates of Enrollment in Ineligible Program
5. Title IV Disbursement(s) by Program, Date Disbursed and Award Year

The institution must summarize the total amount of ineligible Title IV funds disbursed that remain to be paid, by program and award year.

Disbursements to students enrolled in ineligible programs deprive other eligible students of need-based aid and creates a financial burden for the U.S. Department of Education. If the institution's self-determination of eligibility for the educational programs discussed in this finding is found to be incorrect, the institution is liable for all FSA program funds received by or for students enrolled in those programs. Further instructions will be provided in the Final Program Review Determination letter.

Finding 22: Fraudulent, Invalid and/or Lack of GED or High School Diploma

Citation:

34 C.F.R. § 668.32, Student Assistance General Provisions advises a student is eligible to receive Title IV funds if the student is a regularly enrolled student or one who is accepted for enrollment in an eligible program at an eligible institution. Among other criteria, the student must have a high school diploma or its recognized equivalent or have a passing score on a specified,

Department approved, independently administered test in accordance with subpart J of Section 668.32.

The Department recognizes several equivalents to a high school diploma:

1. A General Equivalency Diploma (GED);
2. A certificate demonstrating that the student has passed a state-authorized examination that the state recognizes as the equivalent of a high school diploma;
3. An academic transcript of a student who has successfully completed at least a two-year program that is acceptable for full credit toward a bachelor's degree; or
4. For a student who enrolls before completing high school, a high school transcript indicating the student has excelled in high school. The student must no longer be enrolled in high school; must satisfy your school's written policy for admitting such students, and must be starting a program that leads at least to an associate's degree or its equivalent.

The 2011-2012 Federal Student Aid Handbook, Volume 1, Page 1-10, further discusses high school equivalency requirements and specifically in the sidebar notation, Page 6, states the, "College Diploma Mill Definition" as being an entity that:

1. Charges someone a fee and requires him to complete little or no education or coursework to obtain a degree, diploma, or certificate that may be used to represent to the general public that he has completed a program of postsecondary education or training; and
2. Lacks accreditation by an agency or association that is recognized as an accrediting body for institutions of higher education by the Secretary (pursuant to Part H, Subpart 2 of Title IV) or a federal agency, state government, or other organization that recognizes accrediting agencies or associations.

Beginning with 2011-2012, if a college or the Department has reason to believe that the high school diploma is not valid or was not obtained from an entity that provides secondary school education; the college must evaluate the validity of the student's high school completion.

Noncompliance:

The review of student files revealed that the diplomas for the following students may have been fraudulent and/or from ineligible high schools and do not meet the conditions for acceptance in their particular program of study at your institution:

Student

Diploma in File

1
6

(b)(6)

No Proof of Graduation (POG) on File

In addition, Anthem College self-reported that on January 2013 a former faculty member at Anthem College Atlanta location alerted the corporate office of compliance related concerns after her termination from employment. This former faculty member told the corporate office that the school had admitted students on the basis of false high school diplomas or other proof of graduation and had submitted false faculty credentials to its accrediting agency, ACICS.

Required Action:

Due to the documented fraudulent activity and seriousness of nature, Anthem College must conduct a file review of all students enrolled from the 2009-2010 award year to currently enrolled students to determine if other students received high school diplomas from the schools listed above or any other schools deem to be an invalid high school as referenced above or if there is discrepant high school information.

The institution must provide a list of all students who were enrolled at the Anthem College Atlanta location and received Title IV funds. A report detailing the results of the institution's review must be submitted in the following format via diskette and/or can be submitted electronically.

- Student's Name
- Last Four Numbers of Social Security Number
- High School attended and date graduated per registration form
- High School attended and date graduated per documentation in the file
- Correct High School attended
- Program of Study
- Title IV Funds Disbursed by Title IV Program
- Total Funds Disbursed by Award Year
- Verification of Validity From the High School

If Anthem College submits the data electronically, the institution must place the files in a password protected WINZIP archive. This will compress the data in addition to providing password protection. The institution must telephone me with the password at (404) 974-9289. If the documentation is mailed, the institution must only submit the last four numbers of the student's social security number.

Further, the institution must develop and submit with its response, procedures which will ensure that, in the future, the admissions requirements will be consistently applied to all students. Repayment instructions will be provided in the Final Program Review Determination Letter.

Institution's Response to the Findings in the Program Review Report

The Institution must engage an independent Public Accountant (IPA) to test the file reviews completed by the Institution. The IPA must develop a set of procedures designed for testing the accuracy and completeness of the file review. The suggested procedures must be provided to

Toyoko Woodard within 14 days of the institution's receipt of this correspondence. Ms. Woodard will review the procedures, indicate if any changes are needed, and approve the procedures.

The IPA must apply the Agreed upon Procedures to test the file review(s) completed by Institution, and prepare a report including any exceptions noted during its testing. The exceptions must be detailed and identified. Exceptions must be reported for all file review elements as specified in the finding requirement as presented in this correspondence. The IPA must prepare the report in accordance with AICPA Attestations Standards. The IPA's report must be submitted with Institution's response to this correspondence.

The requested information must be provided to this office with auditor verification within thirty (90) days of receipt of this letter to the address below. We define auditor verification as a confirmation statement that a corrective action was accurately taken by the institution in accordance with the Department's instructions (which includes the confirmation of documents, liabilities paid, file reviews, projection sampling, and formulas used to calculate liabilities).

Attn: Toyoko Woodard
U.S. Department of Education
Program Compliance – Atlanta School Participation Division
61 Forsyth Street, SW Suite 18T40
Atlanta, GA 30303

Documents containing Personally Identifiable Information (PII) being submitted to the Department must be protected. PII is any information about a student which can be used to distinguish or trace the student's identity (some examples are name, social security number, date and place of birth).

PII being submitted electronically or on media (examples are CD-rom, floppy disk, DVD) must be encrypted. The data must be submitted in a .zip file encrypted with Advanced Encryption Standard (AES) encryption (256-bit is preferred). The Department uses WinZip, however, files created with other encryption software are also acceptable, provided that they are compatible with WinZip and are encrypted with AES encryption.

The Department must receive an access password to view the encrypted information. The password must be e-mailed separately from the encrypted data. The password must be 12 characters in length and use three of the following: upper case letter, lower case letter, number, special character. A manifest must be included with the e-mail that lists the types of files being sent (a copy of the manifest must be retained by the sender).

Hard copy files and media containing PII must be:

- sent via a shipping method that can be tracked with signature required upon delivery
- double packaged in packaging that is approved by the shipping agent (FedEx, DHL, UPS, USPS)

- labeled with both the "To" and "From" addresses on both the inner and outer packages
- identified by a manifest included in the inner package that lists the types of files in the shipment (a copy of the manifest must be retained by the sender)."

PII data cannot be sent via fax.

D. Appendices

Appendix A (Student Sample) that was provided to Anthem College during the entrance interview contains personally identifiable information and will be emailed to as an encrypted WinZip file using Advanced Encryption Standard, 256-bit upon request. The password needed to open the encrypted WinZip file(s) will be sent in a separate email.

Appendix E

Estimated Actual Loss and Formula

Appendix E - Estimated Loss Formula

Estimated Loss Formula

9/4/2014

Enter Institution Name

Anthem College

Select Institution Type

Proprietary 2 Yrs or Less

	Select Type of Loan	Select Award Year	Enter Ineligible Loan Amount	Enter School CDR	Total Subsidy Costs	Estimated Loss Liability
1	DL Subsidized	2011-2012	\$ 3,500.00	8.80%	11.62%	\$ 406.65
2	DL Unsubsidized	2011-2012	\$ 6,000.00	8.80%	-18.21%	\$ -
3						
	Description		\$ 9,500.00			\$ 406.65
4	DL Subsidized	2010-2011	\$6,269.00	8.80%	6.24%	\$ 391.40
5	DL Unsubsidized	2010-2011	\$8,494.00	8.80%	-22.24%	\$ -
6	DL Subsidized	2011-2012	\$35,352.00	8.80%	11.62%	\$ 4,107.42
	Description		\$ 50,115.00			\$ 4,498.82
7	DL Unsubsidized	2011-2012	\$47,397.00	8.80%	-18.21%	\$ -
8	DL Subsidized	2012-2013	\$125,045.00	8.80%	5.29%	\$ 6,611.69
9	DL Unsubsidized	2012-2013	\$175,878.00	8.80%	-19.35%	\$ -
	Description		\$ 348,320.00			\$ 6,611.69
10	DL PLUS	2012-2013	\$4,596.00	8.80%	-34.75%	\$ -
11	DL Subsidized	2013-2014	\$40,073.00	8.80%	5.29%	\$ 2,118.84
12	DL Unsubsidized	2013-2014	\$52,978.00	8.80%	-19.35%	\$ -
	Description		\$ 97,647.00			\$ 2,118.84
Original Ineligible Loan Liability			\$ 505,582.00	Total Estimated Loss		\$ 13,636.00

Appendix E - Estimated Loss Formula

To calculate estimated loss for a given ineligible loan amount, that amount is multiplied by the total subsidy rates calculated for the ineligible loans. Consolidation Loans will be obtained in the future to prepay some of the ineligible loans; the amount of Consolidation Loans divided by the ineligible Stafford/PLUS loans equals the "Consolidation prepayment rate" (H) for those loans.

The Department's Budget Office calculates, on an annual basis, the rate per dollar of loan of default subsidies (DSRs) and all other subsidies (OSRs) (D & F) for Stafford and PLUS Loans, by cohort year, program, loan type, and risk group (note that 2008-2010 FFEL loan costs are calculated only by cohort year).

	A	B	C	D	E	F	G	H	I	J
	School CDR	Sector CDR*	Ratio **	DSR ***	Adjusted DSR	OSR ***	Avg Cons Year	Cons Prepay %	Cons DSR ***	Cons OS ***
1	8.80%	12.00%	0.73	0.94%	0.69%	7.94%	2019	21.1%	2.71%	11.46%
2	8.80%	12.00%	0.73	4.47%	3.26%	-23.23%	2019	23.7%	3.07%	4.34%
3										
4	8.80%	12.00%	0.73	2.10%	1.53%	2.02%	2018	21.1%	2.64%	10.13%
5	8.80%	12.00%	0.73	5.02%	3.66%	-27.01%	2018	23.0%	3.07%	1.74%
6	8.80%	12.00%	0.73	0.94%	0.69%	7.94%	2019	21.1%	2.71%	11.46%
7	8.80%	12.00%	0.73	4.47%	3.26%	-23.23%	2019	23.7%	3.07%	4.34%
8	8.80%	12.00%	0.73	1.71%	1.25%	0.84%	2020	21.1%	2.63%	12.53%
9	8.80%	12.00%	0.73	4.36%	3.18%	-24.68%	2020	23.7%	2.96%	6.09%
10	8.80%	12.00%	0.73	2.54%	1.85%	-30.38%	2016	21.4%	1.49%	-30.51%
11	8.80%	12.00%	0.73	1.71%	1.25%	0.84%	2020	21.1%	2.63%	12.53%
12	8.80%	12.00%	0.73	4.36%	3.18%	-24.68%	2020	23.7%	2.96%	6.09%

Federal Student Aid (FSA) calculates the cohort default rates (CDRs) of the institution (A), and the average CDR for the sector for that institution (B). FSA applies the CDR comparison ratio (C), $[A/B = C]$ against the Budget Office's cohort loan DSR (D) to determine the default subsidy rate for the institution (E). The Budget Office estimates the default subsidy rate and other subsidy rate for the Consolidation Loans that will prepay some of these Stafford and PLUS Loans (I & J).

The total subsidy rate for the ineligible Stafford and PLUS Loans is $((E+F) + ((I+J) \times H))$.

The total subsidy cost for these loans is the ineligible loan amount multiplied by the total subsidy rate.

Appendix E - Estimated Loss Formula

Appendix F

Protection of Personally Identifiable Information

PROTECTION OF PERSONALLY IDENTIFIABLE INFORMATION

Personally Identifiable Information (PII) being submitted to the Department must be protected. PII is any information about an individual which can be used to distinguish or trace an individual's identity (some examples are name, social security number, date and place of birth).

PII being submitted electronically or on media (e.g., CD-ROM, floppy disk, DVD) must be encrypted. The data must be submitted in a .zip file encrypted with Advanced Encryption Standard (AES) encryption (256-bit is preferred). The Department uses WinZip. However, files created with other encryption software are also acceptable, provided that they are compatible with WinZip (Version 9.0) and are encrypted with AES encryption. Zipped files using WinZip must be saved as Legacy compression (Zip 2.0 compatible).

The Department must receive an access password to view the encrypted information. The password must be e-mailed separately from the encrypted data. The password must be 12 characters in length and use three of the following: upper case letter, lower case letter, number, special character. A manifest must be included with the e-mail that lists the types of files being sent (a copy of the manifest must be retained by the sender).

Hard copy files and media containing PII must be:

- sent via a shipping method that can be tracked with signature required upon delivery
- double packaged in packaging that is approved by the shipping agent (FedEx, DHL, UPS, USPS)
- labeled with both the "To" and "From" addresses on both the inner and outer packages
- identified by a manifest included in the inner package that lists the types of files in the shipment (a copy of the manifest must be retained by the sender).

PII data cannot be sent via fax.